

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-10 ISO-00 TRSE-00 COME-00 TAR-01

AGR-05 L-03 CIAE-00 INR-07 NSAE-00 PA-01 PRS-01

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9406

INFO USDEL MTN GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O.11652: N/A

TAGS: ETRD, BR

SUBJECT: PRESS REACTION OF COUNTERVAILING DUTY INVESTIGATIONS

REF: STATE 96240

BEGIN UNCLASSIFIED

1. SUMMARY: BRAZILIAN PRESS CARRIED NUMEROUS ARTICLES ON ANNOUNCEMENT OF US COUNTERVAILING DUTY INVESTIGATION ON CASTOR OIL AND HAS REPORTED GOB AUTHORITIES AS STATING APPLICATION OF COUNTERVAILING DUTIES ON LEATHER HANDBAGS IS "ALMOST CERTAIN" AND ON CASTOR OIL EXPORTS ALSO PROBABLY. CASTOR OIL COMPLAINT BEING REPORTED AS MANEUVER BY US TRADE, IN REACTION TO GOB FINANCING OF STOCKS AND MINIMUM PRICES, TO LIMIT BRAZILIAN EXPORTS TO BEANS RATHER THAN PROCESSED OIL. MINISTRY OF INDUSTRY AND COMMERCE OFFICIAL SAID THAT FURTHER COUNTERVAILING COMPLAINTS COULD BE EXPECTED AND EMPHASIZED GATT AGREEMENT ON SUBSIDIES AND COUNTERVAILING DUTIES AS NECESSARY FOR RESOLUTION OF DIFFICULTIES. END SUMMARY:

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2.DURING THE PAST WEEK, BRAZILIAN PRESS HAS CARRIED LARGE

NUMBER OF ARTICLES CONCERNING ANNOUNCEMENT OF US COUNTERVAILING DUTY INVESTIGATION ON BRAZILIAN ASTOR OIL. ARTICLES WERE MAINLY BASED ON BRIEFING BY GOB OFFICIALS CARRIED MAY 15 IN ESTADO DE SAO PAULO NEWS SERVICE AND ON STATEMENT MADE MAY 20 BY MINISTRY OF INDUSTRY AND COMMERCE FOREIGN TRADE COORDINATOR, LAURO MOREIRA. REPORTS STATED THAT, WHILE INVESTIGATION ON LEATHER HANDBAGS NOT YET COMPLETED, GOB OFFICIALS BELIEVE IT IS "ALMOST CERTAIN" THAT COUNTERVAILING DUTIES WILL BE APPLIED ON THESE AND OTHER LEATHER PRODUCTS. ON CASTOR OIL COMPLAINT, ARTICLES STATED THAT GOB STILL ANALYZING COST STRUCTURE OF INDUSTRY AND HAD NOT YET DEFINED STRATEGY TO DEFEND BRAZILIAN EXPORTS AGAINST CHARGES OF US PRODUCERS. SOME PAPERS NOTED, HOWEVER, THAT IMPOSITION OF COUNTERVAILING DUTIES SEEMED PROBABLY AND THAT GOB WILL TRY TO KEEP RATE APPLIED LOW ENOUGH SO AS NOT TO DAMAGE NATIONAL INDUSTRY.

3. O ESTADO REPORT QUOTED MINISTRY OF AGRICULTURE OFFICIALS AS QUESTIONING THE VALIDITY OF A COUNTERVAILING DUTY COMPLAINT AGAINST CASTOR OIL BECAUSE, ACCORDING TO SOURCES, CASTOR OIL EXPORTS DO NOT RECEIVE SUBSIDIES. THEY SAID THAT US ACTION WAS AIMED AT GOB PRACTICES OF FINANCING STOCKS AND MAINTAINING MINIMUM EXPORT PRICES. THESE SOURCES COMMENTED THAT CASTOR OIL COMPLAINT WAS MANEUVER BY HIGH COST US PRODUCERS TO REDUCE IMPORTS OF CASTOR OIL AND RESTRICT US MARKET TO UNPROCESSED BEANS. FOLHA DE SAO PAULO COMMENTED THAT IMPOSITION OF COUNTERVAILING DUTY ON CASTOR OIL WOULD POSE A SHORT TERM CRISIS FOR THE INDUSTRY BECAUSE OF THE LARGE STOCKS THAT HAVE ACCUMULATED OVER PAST YEAR BUT THAT OVER LONG RUN RESTRICTIONS COULD NOT BE MAINTAINED BECAUSE OF HEAVY RELIANCE BY WORLD MARKET ON BRAZILIAN PRODUCTION.

4. SPEAKING BEFORE LOCAL INDUSTRIALISTS IN PORTO ALEGRE, LAURO MOREIRA SAID THAT IF BRAZIL DID NOT WISH TO ENCOUNTER INCREASING BARRIERS IN THE US AND OTHER COUNTRIES, IT WOULD BE NECESSARY TO ENGAGE IN A SERIOUS CAMPAIGN TO OBTAIN A GATT CODE ON SUBSIDIES AND COUNTERVAILING DUTIES. HE SAID THE ONLY WAY TO AVOID THE IMPOSITION OF RESTRICTIVE NATIONAL LEGISLATION, SUCH AS THE US POSSESSES, WOULD BE THE ESTABLISHMENT OF A CODE IN THE GATT, DEFINING WHAT IS A SUBSIDY AND DELINEATING LIMITED OFFICIAL USE

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CLEARLY THE AREA FOR ACCEPTABLE INCENTIVES. MOREIRA REPORTEDLY ADDED THAT, IN ADDITION TO EFFORTS IN THE GATT, BRAZIL SHOULD SEEK TO ELIMINATE EXPORT INCENTIVE MEASURES AGAINST WHICH OTHER COUNTRIES CAN IMPOSE RESTRICTIONS.

5. PRESS ALSO REPORTED COMMENTS BY DIRECTOR OF BANK OF BRAZIL FOREIGN TRADE REGULATING DEPARTMENT, CACEX, THAT BRAZIL WOULD NOT ACCEPT IMPOSITIONS FROM THE US OR ANY OTHER COUNTRY OVER

WHAT INCENTIVES SHOULD OR SHOULD NOT BE GRANTED TO EXPORTS.
"JUST AS THE AMERICANS HAVE THE RIGHT TO TAX BRAZILIAN EXPORTS,
BRAZIL WILL NOT RELINQUISH ITS RIGHT TO GRANT INCENTIVES TO
EXPORTS."
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6. COMMENT--LAURO MOREIRA IS A FOREIGN MINISTRY OFFICIAL
CURRENTLY ASSIGNED TO MINISTRY OF INDUSTRY AND COMMERCE AND
HIS VIEWS REFLECT THOSE GENERALLY HELD BY FOREIGN OFFICE TRADE
OFFICIALS, THAT THE ONLY PERMANENT SOLUTION TO EXPORT SUBSIDY
PROBLEMS WILL BE THROUGH A GATT AGREEMENT AND THAT PREFERENTIAL
TREATMENT FOR LDCS WOULD ENABLE BRAZIL TO RETAIN AN EFFECTIVE
EXPORT INCENTIVE PROGRAM. THE VIEWS EXPRESSED BY THE HEAD OF
CACEX ARE PROBABLY MORE REPRESENTATIVE OF OVERALL GOB ATTITUDES,
STRONGLY OPPOSED TO ANY REVISION OF THE INCENTIVE
SYSTEM AND UNWILLING, AT LEAST AT THIS STAGE OF THE MTN, TO
CONCEDE ANY POSSIBILITY OF REVISION.
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